

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;  
Nanci E. Langley, Vice Chairman;  
Mark Acton; and  
Tony Hammond

Competitive Product Prices  
Priority Mail Contract 214 (MC2016-131)  
Negotiated Service Agreement

Docket No. CP2016-167

ORDER APPROVING AMENDMENT TO PRIORITY MAIL  
NEGOTIATED SERVICE AGREEMENT

(Issued December 12, 2016)

I. INTRODUCTION

The Postal Service seeks to amend the terms of Priority Mail Contract 214.<sup>1</sup> The Commission approves the Amendment.

In Order No. 3419, the Commission approved Priority Mail Contract 214 (Existing Agreement).<sup>2</sup> On December 9, 2016, the Postal Service filed notice that it has agreed

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<sup>1</sup> Notice of United States Postal Service of Amendment to Priority Mail Contract 214, with Portions Filed Under Seal, December 9, 2016 (Notice). The amendment is an attachment to the Notice (Amendment).

<sup>2</sup> See Docket Nos. MC2016-131 and CP2016-167, Order Conditionally Approving Request to Add Priority Mail Contract 214 to the Competitive Product List and Notice of Filing Non-Public Annex Under Seal, July 8, 2016 (Order No. 3419).

to the Amendment to the Existing Agreement. The Amendment adds a subsidiary of the Postal Service's existing contract partner to the Existing Agreement. See Notice, Attachment A at 1. The Notice states that the Amendment will not affect the Existing Agreement's cost coverage. Notice at 1. The Postal Service intends for the Amendment to become effective two business days after the date the Commission completes its review of the filing. *Id.*

## II. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the accompanying materials filed under seal.

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment does not affect the cost coverage or compliance with existing regulatory requirements for the Existing Agreement. The Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

*Other considerations.* The Postal Service states that the Amendment shall become effective two business days after the date that the Commission completes its review. Notice at 1. The Existing Agreement, as amended, is to expire on August 30,

2017, unless, among other things, either party terminates the contract with 30 days' written notice to the other party.<sup>3</sup>

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission. The Postal Service shall continue to file quarterly reports with the Commission as directed in Order No. 3419. Order No. 3419 at 9-10.

### III. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves Priority Mail Contract 214, as modified.
2. The Postal Service shall notify the Commission if the Existing Agreement, as modified, terminates prior to the scheduled expiration date.
3. The Postal Service shall continue to file quarterly reports with the Commission as directed in Order No. 3419.

By the Commission.

Stacy L. Ruble  
Secretary

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<sup>3</sup> Order No. 3419 at 1, 7-8; Docket Nos. MC2016-131 and CP2016-167, Request of the United States Postal Service to Add Priority Mail Contract 214 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, May 13, 2016, Attachment B at 6.